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**FISCAL IMPACT STATEMENT**

**LS 6296**

**BILL NUMBER:** HB 1390

**NOTE PREPARED:** Jan 5, 2015

**BILL AMENDED:**

**SUBJECT:** Ephedrine and Pseudoephedrine.

**FIRST AUTHOR:** Rep. McNamara

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill changes the amounts of over-the-counter (OTC) drugs containing ephedrine or pseudoephedrine that a pharmacy or National Precursor Log Exchange (NPLEx) retailer may sell and that a person may purchase without a prescription.

The bill provides that a person who purchases the statutory maximum amount of over-the-counter drugs containing ephedrine or pseudoephedrine may obtain additional drugs containing ephedrine or pseudoephedrine with a valid prescription or order of a practitioner.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** The bill provides for a reduction in the amounts of OTC products containing ephedrine or pseudoephedrine that may be purchased without a prescription as follows.

Current Limit	Proposed Limit
3.6 grams (3,600 Milligrams)/ Day	
No more than 7.2 grams / 30 Days	750 milligrams/ 30 Days
61.2 grams/ 365 Days	9.0 grams/ 365 Days

It is not known if significantly decreasing the amounts of ephedrine or pseudoephedrine that may be legally purchased OTC would result in a reduction in the number of clandestine labs or an increase in the size of the networks of buyers (smurfing) for methamphetamine (meth) clandestine labs. If fewer labs were a result, the

Indiana State Police (ISP) may be able to free up an unknown level of resources that are currently used to dismantle clandestine labs and the associated environmental cleanup.

*Additional Information:* During CY 2013, the ISP reported 1,808 meth labs. The ISP estimates that the average cost of cleanup per meth lab is about \$1,793, including supplies, equipment, laboratory analysis of evidence, and personnel expense. The total cost related to cleanup is approximately \$3.1 M state dollars. An additional \$127,349 in federal funding was spent for disposal costs in FY 2013. The ISP average cost does not include costs to other state agencies, social service organizations, remediation of property, incarceration, or medical expenses incurred.

Ephedrine and pseudoephedrine are known as precursor drugs necessary to the production of meth. Indiana currently requires the sale of cold and allergy products containing these drugs to be limited and tracked by purchaser with the products maintained behind the counter or in full view of a pharmacist.

The ISP directly seizes about 95% of the total number of labs located and dismantled in the state. ISP data indicates that in 2008, it seized 1,059 labs; in 2013 there were 1,808 seizures, an increase of about 70%. The number of clandestine labs has increased about 147%, from 732 reported in 2002 to 1,808 reported in 2013. Each location is counted as a lab, although multiple batches may be in progress. In 2012, 81% of labs seized were one-pot or small batch labs.

**Explanation of State Revenues:** *State Sales Tax Revenue:* Sales tax revenues would likely decrease as a result of changing the sales limit on over-the-counter products containing ephedrine and pseudoephedrine. Prescription drug purchases are exempt from sales tax, while OTC products are taxed. The amount of annual gross sales tax revenue that would be lost as a result of the change in quantity that may be sold OTC, is estimated to be \$1.45 M. The actual impact would depend on the number of ephedrine and pseudoephedrine sales that would actually be transferred to prescription sales and the level of OTC product substitution to products that contain other active ingredients that would occur as a result of the lack of availability of ephedrine and pseudoephedrine.

Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

*Additional Information:* The ISP reported that 2.04 million boxes of pseudoephedrine were reported sold in the state in CY 2013 according to the National Precursor Log Exchange (NPLEx) system. If the average cost of the product is assumed to be \$12 per box, total taxable sales in CY 2013 would have been about \$24.4 M. The bill provides for about an 85% reduction in the amount of pseudoephedrine that may be sold OTC per year. (61.2 grams/365 days to 9 grams/365 days).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Professional Licensing, Board of Pharmacy, ISP.

**Local Agencies Affected:**

**Information Sources:** ISP.

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